

CALIFORNIA FRANCHISE TAX BOARD

Legal Ruling No. 030

June 25, 1958

ADJUSTED GROSS INCOME: GAMBLING LOSSES

Syllabus:

Gambling losses (to the extent of gambling gains) are deductible in computing adjusted gross income insofar as they are attributable to a trade or business (subject to the illegal activities limitation of Section 17297 of the Personal Income Tax Law).

Advice is requested as to whether gambling losses (to the extent of gambling gains) are deductible in computing adjusted gross income or are only deductible from adjusted gross income in computing net income.

Section 17072 of the Personal Income Tax Law defines adjusted gross income as meaning gross income minus specified deductions, among which are those attributable to a trade or business carried on by the taxpayer. Section 17206 provides for a deduction of losses from wagering transactions (limited to the extent of gains from such transactions). This deduction is allowed regardless of whether said losses are attributable to a trade or business or to transactions entered into for profit. However, in computing adjusted gross income, Section 17072 permits only those deductions "which are attributable to a trade or business". It says nothing about losses on transactions entered into for profit (allowed under Section 17206 in computing net income; nor does it include the broad language of Section 17206 pertaining to wagering losses. Therefore, the only gambling losses deductible in computing adjusted gross income are those clearly specified in Section 17072, i.e., those attributable to a trade or business (limited to the extent of the gains and to the provisions of Section 17297).